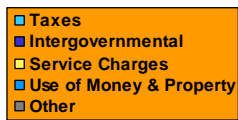
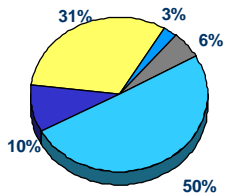
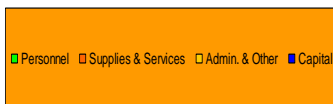
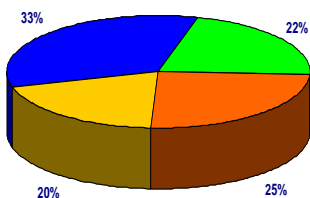
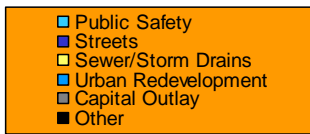
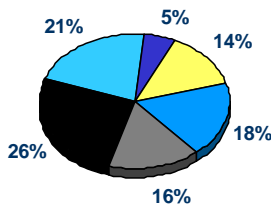




## Where Does the Money Come From?



## Where Does the Money Go?



# City of Belmont Budget Brief FY 2004

## Message From the City Manager

Honorable Mayor and Members of the Council:

I am pleased to transmit for your consideration the FY 2004 Proposed Budget.

### Summary

As noted in the February Mid-Year Review, and seen repeatedly in the newspapers, this is an extraordinarily difficult time for state and local government finances in California. Due to the continued deep recession in the area, the City has made budget adjustments in each of the past two fiscal years totaling almost \$2 million. As a result of those difficult but prudent actions, we are now in a position to present a budget that includes no further cuts and has a General Fund Balance reserve of \$2.2 million, exceeding the Council policy requirement of a minimum of \$2 million reserve, but short of the 20% goal. Barring further reductions in local revenues by the State or prolonged recessionary pressures, we believe our Budget Correction Plan strategy has been successful and the long-term finances of Belmont are now stable.

The total proposed expenditure budget for fiscal year 2004 is \$57.6 million, with General Fund expenditures of \$11.9 million. The FY 2004 Budget can be described as essentially status quo, based on the cuts made in the past two years. Very restrictive growth instructions were given and followed by departments when developing this budget. Modification to employee compensation, generally 3%, has been made in accordance with existing memorandums of understanding. However, benefit costs have increased substantially to reflect PERS, medical and workers compensation premium charges.

The proposed budget permanent staffing plan is down four positions from last year. Nonetheless, except as noted with earlier mid-year adjustments, existing services and service levels have been maintained with the proposed staffing configurations.

## Message From the City Manager (continued)

Highlights of activities that are planned for the coming year are contained in the "Department Initiatives" section later in this message; included as well, is a summary of the status of the City Council's top twelve citywide priorities.

Implementation of Performance Budgeting is complete with this budget, as detailed later. The budget document now focuses on service area missions and measurable outcomes. To align with Performance Budgeting, changes to the format and look of the document were made.

### Revenues

Total revenues for all funds in FY 2004 are estimated at \$38.1 million. General Fund revenues are estimated at \$13 million, down \$.3 million from FY 2003. General Fund revenues support basic City services including police, public works, parks & recreation and general government operations. Of the General Fund revenues, \$7.3 million or 56% comes from taxes, with \$3.1 million coming from sales taxes, \$2.0 million from property taxes and \$1.1 million from the Transient Occupancy Tax (hotel tax). Tax growth has dropped significantly due to the recession. Other fund revenues include \$4.7 million in property taxes to support fire protection services, \$1.5 million in revenues supporting street maintenance and improvement activities, and \$4.3 million for sewer/storm drain operations and construction.

### Expenditures

Total expenditures for FY 2004 are estimated at \$57.6 million. General Fund expenditures total \$11.9, down 6.3% from FY 2003. General Fund expenditures include \$6.9 million for police services, \$1.4 million for parks and open space and \$3.6 million for general government operations. Special fund expenditures include \$4.6 million for fire protection services, \$2.2 million for streets, and \$7.9 million for sewer/storm drains operations and capital projects. The Redevelopment Agency Capital Project Fund anticipates up to \$4.8 million available for downtown projects, neighborhood programs and operations.

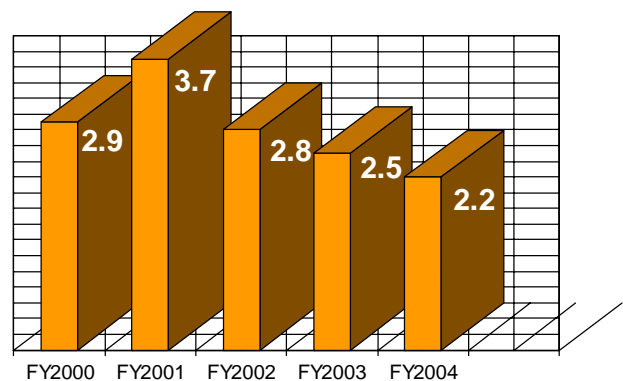
The difference between revenues and expenditures comes from funding for capital projects which has been previously set aside.

### Capital Improvement Program

The proposed capital budget for FY 2004 is \$19.6 million and \$54 million over the five year plan,

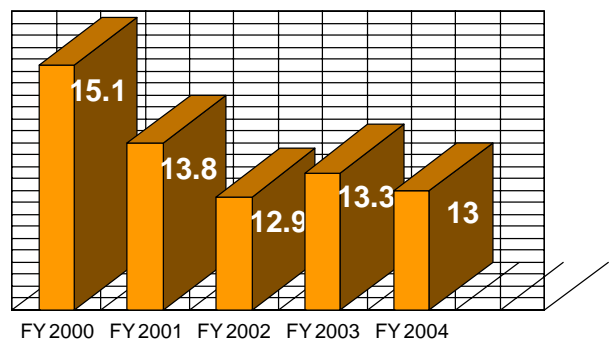
## General Fund Balance Trends

(millions)



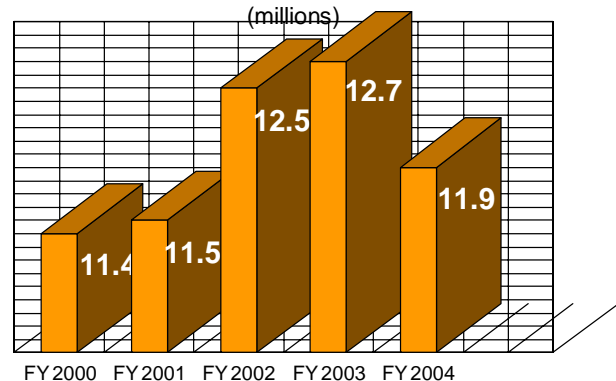
## General Fund Revenue Trends (excluding transfers)

(millions)



## General Fund Expenditure Trends (excluding transfers)

(millions)



## Message From the City Manager (continued)

reflecting a continuation of the emphasis on capital spending of recent years. The coming fiscal year will include a very high rate of capital spending, reflecting the construction of a wide variety of projects for the community. Major projects for the upcoming year are highlighted below; the details of all projects can be found beginning in Tab 9.

- \$4.8 million for Redevelopment Agency projects, such as Plaza, Land Acquisitions and Façade Improvements.
- \$4.6 million for the Police Facility/City Hall project
- \$2 million for the Ralston/101 interchange improvement
- \$2.5 million for a variety of sewer improvements
- \$.9 million for a variety of street improvements
- \$1.6 million for the Belmont Library project
- \$3.9 million for Emmett House, Home Buyer and other LMI Projects

### Uncertainties

"May you live in interesting times." Never has that been more true for government finances than now.

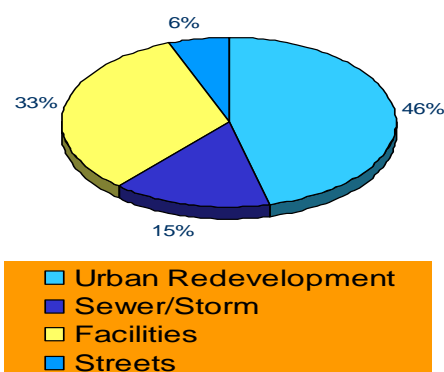
Unfortunately, city budgets are dynamic and subject to outside forces. Paramount among these are the local and regional economy and the state of State government finances. The first is subject to regular business cycles, and we are currently suffering from one of the worst economic periods in generations. The local economy continues to be weak. The budget assumes continued softness with a mild recovery in FY 2004. Should the economy worsen, further corrective actions from those already taken at FY 2003 Mid-Year Review may be necessary.

In fact, the economy has fundamentally changed. As a result, the base upon which our revenues come has been altered and is now lower than previously expected. The actions taken by the City Council in February were intended to address these fundamental and structural issues, and they have. For example, last year, it was projected that the General Fund fund balance would have all but disappeared by FY 2007. As a result of the corrections made, the General Fund balance is now on course to be \$2.6 million in FY 2008. The improvements made mid year are also evidenced by the fact that General Fund expenditures are down \$.8 million despite a dramatic increase in benefit costs.

## 5 Year Capital Improvement Plan and Capital Outlay Trends

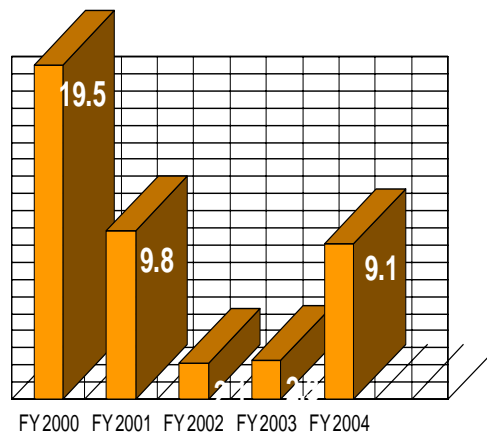
The City's 5 year CIP is estimated at \$54 million. Projects proposed in FY 2004 total \$19.6 million.

### Capital Projects by Function



### Capital Outlay Trends

(millions)



## Message From the City Manager (continued)

The most significant challenge, and uncertainty, facing the City is a potential State takeaway. For some time now, the threat of a State takeaway, in the form of a Motor Vehicle License Fee (VLF) reduction or other method, has been present. As a matter of fact, over the past twenty years, the State has already taken in excess of \$5.5 million of revenue from the City. For Belmont, the current VLF exposure is between \$.9 - \$1.4 million annually. A takeaway may not take form in this manner or for this amount; it seems likely, however, that the State will take away some local revenue to address their own massive budgetary problem. The Governor's revised budget will be released the day before the City budget is distributed. It is likely to be at least another month before there is clarity on what, if any, actions the State may take impacting our revenues. We will continue to lobby against any such action and will monitor developments closely. An update on the situation will be made at the budget presentation in June. It should be clear, however, that this recommended budget does not account for any further State takeaways. Anticipating that possibility, a list of additional cuts was presented to Council in February and would be brought back for action, including any additional measures, if necessary.

Addressing these challenges has been a focus of management and staff during the current year and continued vigilance will be needed.

### **Conclusion**

While the City is weathering the financial challenges of our time and is in sound financial condition today, efforts must be taken to maintain and strengthen our position for the future. Reserves levels need to be improved and challenges exist with some of the special revenue funds, as discussed later in this message. These actions will be tough to take and implement, but Belmont is not alone. Most cities are confronted by far worse conditions. Working together, I am confident Council, staff and the community are up to the challenges.

I would like to express my appreciation to all the staff, particularly the Finance Department, for their efforts in preparing the Proposed FY2004 Budget as well as the Budget Correction Plan adopted in February.

***Jere A. Kersnar, City Manager***

## Debut of Performance Budgeting

Council and the community will see the full implementation of performance budgeting with this budget.

Performance budgeting is part of the broader Service Delivery Initiative (SDI), the goal of which is to make Belmont more of a customer-driven, results-oriented organization. It will enable the City Council and staff alike to focus on outcomes and results, rather than dollars and inputs. SDI will also help clarify the appropriate roles of Council and staff and bring about alignment of policies, procedures and resource allocations.

Over the course of the past 18 months, all of the City's operations were restructured into budgetary Service Areas and Service Centers. Each Service Area and Service Center is structured to answer three fundamental questions: Why, How and How Well. Each has an overall mission or purpose statement and a series of specific performance measures. The mission is intended to be a high-level outcome or statement of the desired results. The measures are intended to establish accountability for specific service levels.

Traditionally, municipal governments allocate resources based on inputs and line items. That changes with performance budgeting. The focus now is on defining the level and quality of services to be provided for a given sum of funding. With performance budgets, detailed line items are no longer provided. Instead, a bottom line budget and staffing level is shown along with the mission and measures. In the first year of operation, the measures include an "X" for the targeted service level. This will be filled after one year and the actual performance will then be the baseline for future evaluation.

The first year's results for Police Services, Parks and Open Space, Financial Services, and Facility Services (which were restructured last fiscal year) will be calculated and reported to the community after the end of the current fiscal year. Future budgets will show prior year results with an "overall performance index."

## Special Fund Considerations

Similar to the General Fund, the Recreation Fund and Development Services Fund have been adversely impacted by the downturn in the economy and are experiencing structural, recurring deficits. Corrective action is required and specific actions contemplated by the funds are as follows:

- **Recreation Fund**

- The proposed FY 2004 Budget includes measures to close the gap. Those measures include revenue increases and expenditure reductions.

- Additional actions will be coordinated with the program subsidy study for this service area.

- Target subsidy levels are planned for the Recreation Programs and Day Care Service Centers.

- **Development Services Fund**

- The proposed FY 2004 Budget incorporates a number of intermediary steps to mitigate the effects of the structural gap for this Fund. Those steps include charging City projects planning and permit fees, re-allocating housing element work to the RDA LMI Housing Fund, and assessing engineering fees where appropriate.

- By the FY 2004 Mid-Year Review, a comprehensive corrective action plan addressing the remaining structural gap issues will be presented. That plan anticipates addressing organizational and staffing needs associated with operating the One-Stop Permit Center, appropriate revenue revisions and completion of the Development Impact Fee study.

## Budget Assumptions

### Demographics

- Population: 0% increase for Belmont
- Housing: -4.4% decrease for the State
- Inflation: 3.5% increase for the Region (Long term 4%)
- Job growth: -3.3% decrease for the City

### Revenues

- Revenues: Moderate growth on reduced base with most key categories
- Property taxes: Up 7.2% for Belmont and 4.8% for the Redevelopment Agency (Long term 5%)
- Sales Taxes: Up 4.5% for Belmont (Long term 5%)
- Service Charges: Up 3.5% for Belmont (Long term 4.5%)
- Interest rates: 1.75% for investments (Long term 2.0 – 2.75%)

### Operations and Capital Improvements

- Personnel costs: 3.0% cost of living adjustment for Belmont (Long term 3.5%)
- PERS costs: .9% Miscellaneous; 6.7% Safety (Long term 9% Miscellaneous; 29.6% Safety)
- Supplies and services costs: 1.5% growth with exceptions for fuels, utilities, insurance, etc. (Long term 3.5%)
- Capital program: \$21.1 million allocated

### State Actions

- No VLF backfill reduction included
- No further takeaways programmed
- \$100 thousand in supplemental law enforcement funds anticipated



## Department Initiatives

The Administrative Departments provide direction and support the entire organization. The **City Manager's Office** will focus on continued implementation of Council's policy direction, the Service Delivery Initiative and the organizational vision. The department will also oversee the Police Facility/City Hall project. The Information Services Division is expected to incorporate aerial photography into the GIS system. The **Human Resources Department** will continue to enhance citywide training and safety programs, as well as complete the revision of the Personnel Rules and Regulations. The **City Clerk's Office** will focus on day-to-day service delivery, ongoing training for the new Clerk, and preparing for the November 2003 election. The **Finance Department** initiatives for the year include continuing implementation of the comprehensive financial information system, implementation of the new financial reporting model (GASB 34), and pursuing funding and financing opportunities for the Belmont Library and other capital improvement programs.

The **Community Development Department** will continue enhance customer service by refining the Belmont Permit Center and implementing improvements to the development review process. Updating Belmont's 20-year old General Plan, the department will lead the community through a visioning process to clarify Belmont's expectations for future development, and prepare a long-term economic development strategy. Staff will propose various zoning revisions to better protect neighborhoods from inappropriate development and improve the look of downtown. Other high-priority projects include relocation and remodel of the Emmett House, potential annexation of the Harbor Industrial Area, planning for affordable housing at the 1365 Fifth Avenue site and continued refinement of the City's code enforcement policy.

The **Parks & Recreation Department** will again offer a wide variety of quality activities and special events throughout the year. The Twin Pines Art & Wine Festival will be held on the weekend of September 20 & 21. The Belmont Certified Farmers' Market will be held every Sunday from mid-May through mid-November at the south Cal-Train parking lot. The Recreation Division will implement performance budgeting. The City's playgrounds will be improved and modernized for safety and access. The Parks Division will continue development and maintenance of the hiking and biking trails in the City's unique urban open space areas. The Department will also be working with Carlmont High School to schedule increased community use of the new pool.

The **Police Department** will focus on five key areas: Traffic-Improve the safe flow of traffic through a combination of traditional enforcement, educational endeavors, and the application of resources found throughout the community to seek lasting solutions to traffic issues; Performance Budgeting-Continue to restructure the Police Department to facilitate the successful implementation of the Service Delivery Initiative; Community/Problem Oriented Policing-Seek to strengthen collaborations with our residents and community groups that have helped establish and maintain the quality of life our residents enjoy -- striving to obtain long-term solutions to community problems using all available resources will continue to be a major police emphasis; Safety and Emergency Preparedness-Maintain the safety and security of our residents by actively preparing for a possible natural or man made disaster; and Effectiveness-Operate in a fiscally responsible manner by maximizing grants, pursuing efficiencies, and exploring collaborations with other entities.

The **Public Works Department** will continue to provide a high level of customer service to both the community and other departments in the environmental, fleet maintenance and transportation performance budget areas. A more cost effective approach for videoing, maintaining and undertaking emergency repairs of the sewer system will be proposed. The Pavement Management Plan will be submitted to Council for adoption and implementation. A revised Residential Traffic Calming Program and traffic policies will be submitted to Council for consideration. Grants will be pursued to fund additional roadway improvements, the Pedestrian and Bicycle Bridge and a Shuttle Service to provide transportation from home to transit.

## FY 2004 Citywide Priorities

**Build a new Fire Station 14.** Groundbreaking occurred September 2002 and construction is expected to be completed in Fall 2003.

**Replace the Police Facility.** Council approved the general design in December 2002. Detailed plans and cost estimates have been completed. Bid expected in July and construction is expected to begin in the Fall and take one year.

**Enhance the 101/Ralston Interchange.** Detailed plans and estimates have been completed. Bid award in Summer 2003. Construction to begin during the Fall 2003. City of Redwood City is the lead agency.

**Build a Bike/Pedestrian Bridge.** Plans anticipated Summer 2003. Grant funding required prior to bid in Spring 2004, with construction in the Summer 2004.

**Deploy Performance Budgeting.** Department restructures to the new format completed. Services now outcome-oriented with quantifiable measures of success in FY 2004.

**Implement RDA Bond Priorities.** A five-year spending plan for \$4 million was adopted last April. Planning work for undergrounding of utilities on Old County Road has begun.

**Re-engineer the Development Review Process.** Consultant recommendations implemented. One-Stop Permit Center open for over a year and will be relocated to first floor of the renovated City Hall. Planning Commission review of rules for Single Family Design underway.

**Reach Consensus on the Harbor Industrial Area.** Council subcommittee working with HIA representatives on the key issues. City desires to resolve issues with the intention of developing a joint application for annexation in the future.

**Undertake a Visioning Process and Update the General Plan.** Visioning and economic development strategy projects began May 2003. The General Plan update will follow in early 2004 to tie the work together into unified statement of Belmont's future.

**Build a new Library.** The Library Steering Committee and architects re-conceptualizing new library building assuming a \$7 million, \$8.5 million and \$10 million funding level.

**Develop a Low-Moderate Income Housing Strategy.** Exploring relocation and renovation of Emmett House. Planning of old City Hall site with low-density 'work-force' housing begun.

**Develop Traffic Policies.** Collecting traffic volume and speed data to assess traffic problems throughout the City. Recommended changes to traffic policies planned.

